Submitted by: John L. Davis, Vice President for Finance and Facilities Management

Annual Report on the Long-Term Investment Program
(For the Endowment Funds)
For the Fiscal Year Ending September 30, 2009

In accordance with the Board of Governors Statutes (WSUCA) 2.73.02, the Administration presents the annual report (the Report) of our long-term investment program for the fiscal year ending September 30, 2009. This Report was prepared by the Wayne State University Foundation's independent investment consultant, New England Pension Consultants (NEPC). The long-term investment program includes all investment activity performed for the endowment funds by external managers and represents approximately 99% percent of all the endowment resources. At September 30, 2009, the fund was approximately $223 million. (Included in this amount is approximately $608 thousand in gift annuity assets which were pooled with the endowment fund investments effective October 1, 2005, in order to enhance their investment returns.) This Report was presented to and accepted by the Foundation's Investment Committee (the Committee) on November 16, 2009 and by the Foundation Board at its meeting on December 1, 2009.

In 2000, the University created the Wayne State University Foundation (the Foundation) as a Michigan non-profit corporation. The Foundation was established by the University to assist it with various functions with special emphasis on fundraising and oversight of the investment portfolio for endowments. The Board of Governors approved the transfer of existing and future endowments to the Foundation for holding and the investment thereof. The Foundation established its Investment Committee to specifically oversee and manage the endowments, especially those held in the "Common Trust" pool (the pool) of assets. Although the Committee started its work a year earlier, the official date for the transfer of the endowment assets was October 1, 2002, the beginning of a new fiscal year for the University and the Foundation. The Committee employs external investment managers to manage all of the funds held in the pool.

The pool of assets managed by external managers had a total investment gain before manager fees of 6.6% for the fiscal year 2009 (5.9% gain after manager fees). This performance was better than the Independent Consultants Cooperative (ICC) peer performance benchmark gain of 1.8% for the same period and ranked in the top 14 percentile of this peer universe of endowments and foundations. (The ICC universe database contains over $2 trillion in foundation, endowment and pension fund assets and represents 20% of institutional assets in the country.) The investment performance of the portfolio was better than the S&P 500 equity index loss of 6.9% for the same period, due to the diversification of the investments. With the exception of Gottex, all of the investment managers' performance either exceeded or just about equaled their performance benchmarks. The Foundation's fixed income managers, Pimco and Loomis, two of its hedge fund managers, FrontPoint and Blackstone, one of its global asset allocation managers, Wellington Opportunistic and the international emerging market equity manager, Aberdeen, all had very favorable performance relative to the Foundation benchmarks used to evaluate their performance for their particular investment "style". The Return Summary section (page 15) of the Report further details the performance of the Foundation's investment managers.

While the Fund had modest investment gains for FY 2009, it experienced significant volatility during the year. This is evidenced by the fact that the Fund experienced a 17% decline for the fiscal year through February, 2009. While the Fund ended up experiencing overall modest gains for FY 2009, the financial crisis of the past two years has had a very adverse impact on the Fund's investment performance for longer time periods. Investment returns for the three year period, the five year period, and the ten year period ending September 30, 2009 were 2.9%, 6.0% and 5.5%, respectively.

The poor investment performance in FY 2008 (-13.4% after manager fees) combined with only a modest rebound in 2009 will adversely impact the amount of funds that will be distributed in the future in accordance with the University's distribution/spending policy. However, if there are no significant additional portfolio market value declines during FY 2010, the amount of funds that will be distributed in FY 2010 should be only slightly less than the prior year because of the University's use of a three year moving average to determine the market value that the spending rate is applied to. At the same time, these investment market declines of the past few years will be particularly hard on the market values of the more recently established endowment funds which have not benefited from the market gains prior to FY 2008.

The following summarizes the most significant manager changes which took place during the year (additional information about these changes can be found in the Report):

- As noted in last year's report, a distressed residential mortgage products manager, TCW, was selected near the end of FY 2008 and funded in October 2008. This investment was made because of the belief that the market turmoil and dislocations have led to significant undervaluation of some residential mortgages.

- Also as noted in last year's report, late last calendar year, the Investment committee decided to terminate one of its global asset allocation managers, Mellon Capital Management. The termination was made for poor investment performance and the expectation that this would not improve in the future.

- One of the Foundation's portable alpha managers, Evanston, decided to close their fund, and suspended redemptions. Since they significantly reduced their S&P 500 index equity exposure last fall, this reduced their loss for the fiscal year. By early October 2009, they had refunded all of the Foundation's funds, except for approximately $200,000. The Foundation expects to receive this amount by the end of December, 2010.

- The other Foundation portable alpha fund, Gottex, suspended redemptions for investors that wanted to exit the fund. For investors that wanted to exit the fund, they established a special liquidating fund. The Foundation decided to transfer its Gottex investment to this liquidating fund. As of the end of October 2009, Gottex has returned 64% of the Foundation's investment in the liquidating fund to the Foundation.

In the second half of FY 2009, a revised investment policy was recommended by the Committee and approved by the Foundation Board. The investment policy provides the Committee with its major investment operating guidance including the asset classes that it can invest in and the amounts that it can invest in these asset classes. The major change to the Foundation's policy was the addition of a provision which would allow the Committee to establish a "liquidity pool" to address high volatility and abnormal financial market risk/return characteristics. The purpose of the pool is to provide liquidity for spending needs, and to reduce the need to sell investments at market low points. The pool can comprise up to 25% of the Foundation's assets and must be invested in very high credit quality fixed income investments with shorter term maturities. While such a pool enhances liquidity and reduces the volatility of the portfolio, it could reduce the portfolios investment returns in advancing equity markets, or alternatively, protect its value, if equity markets are declining.

Over the next year, the Committee will continue to monitor the impact of the financial markets upon its asset allocation and existing investment managers and make any changes deemed necessary. It will continue to try and identify other ways to take advantage of the financial market turmoil and dislocations. In addition, as the consultant's report notes, there are mounting concerns about future inflation. The Investment Committee will be evaluating whether these concerns require any changes to the portfolio.

In addition to the Report prepared by NEPC, attached is a list of the current members of the Committee and a historical graph of the fiscal year end values of the endowment funds from 2000 to 2009.

Paul Kenney, Partner, NEPC, will be present at today's meeting to make a short presentation and to respond to questions.

Submitted by: John L. Davis, Vice President for Finance and Facilities Management

WSU FOUNDATION
POOLED ENDOWMENT FUND OVERVIEW
WSU FOUNDATION INVESTMENT COMMITTEE MEMBERS
As of September 30, 2009

- Brenda Ball, Executive V.P., Finance Ronrich Corporation; Chairperson WSU Foundation Investment Committee
- John L. Davis, V.P. , Finance and Facilities Management, Treasurer and Chief Financial Officer, WSU and Treasurer, WSU Foundation
- Paul A. Glantz, President, Proctor Financial, Inc. [(1)]
- Joseph G. Horonzy, Horonzy and Associates, LLC
- Louis A. Lessem, V.P., and General Counsel, WSU
- Howard Perlman, Senior V.P., Freedman Real Estate Groups, Inc.
- Leonard Smith, Chair of the Board of Trustees and Chief Investment Officer, Ethel and James Flinn Family Foundation
- David Ripple, V.P., Development and Alumni Affairs, WSU and President, WSU Foundation
- Alan E. Schwartz, Partner Honigman, Miller, Schwartz and Cohn
- Stephen Strome, Retired Chairman and Chief Executive Officer, Handleman Company [(1)]

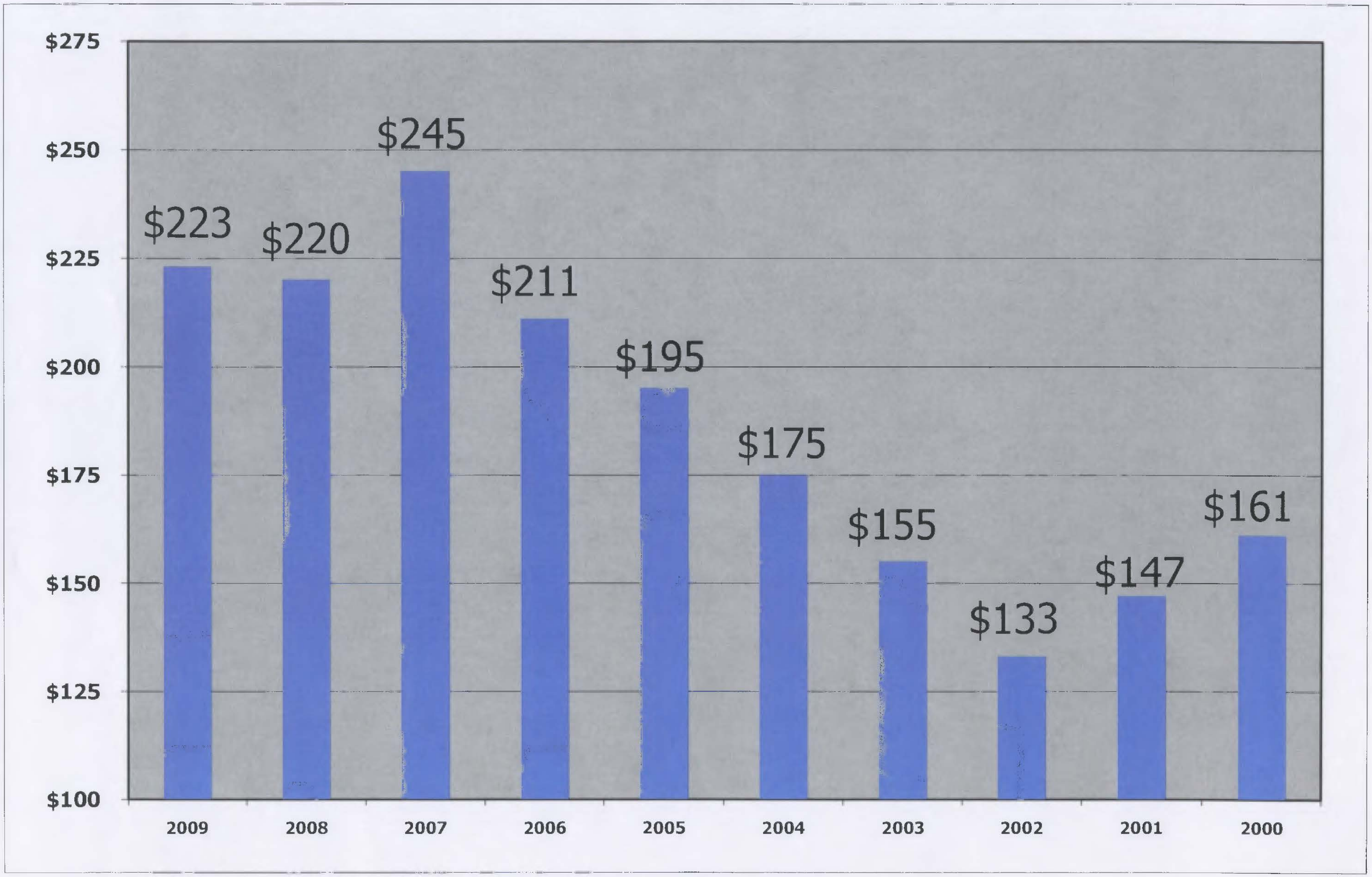
(1) Mr. Glantz and Mr. Strome were both recently appointed to the Investment Committee.

WAYNE STATE UNIVERSITY FOUNDATION

TOTAL ASSETS OF THE ENDOWMENT FUND FOR THE FISCAL YEARS ENDING SEPTEMBER 30, 2000 THROUGH 2009[1]

As Reported in the Annual Audited Financial Statements

($ - in Millions)



[1] Total assets include charitable gift annuity assets.

WAYNE STATE UNIVERSITY

Foundation

2009 Annual Foundation Investment Performance Report

For the Fiscal Year Ending September 30, 2009

Paul R. Kenney, Jr., CFA
Partner

Dion Stevens
Consultant

NEPC

"Advancing Your Investments"

Table of Contents

Executive Summary

Executive Summary

This report summarizes the performance of the Wayne State University Foundation for its 2009 fiscal year. The report also provides NEPC's thoughts on: the capital markets, a review of the investment actions of the past year, and what we recommend the Foundation address in the coming year.

Performance Summary

2009 was better from a relative return perspective compared to other endowments and foundations. Returns have rebounded from the prior fiscal year. Total assets at fiscal year end totaled $222.7 million, up from $219.4 million from the prior fiscal year end. The return for the year was 6.6% gross of fees and 5.9% net of fees, which ranked in the 14th percentile[1] within the Independent Consultants Cooperative universe of Endowments and Foundations. The performance of the Foundation exceeded the median of the peer group by 4.8 percentage points. Relative performance was driven in large part by active management which contributed 4.4 percentage points to performance for the year, gross of fees

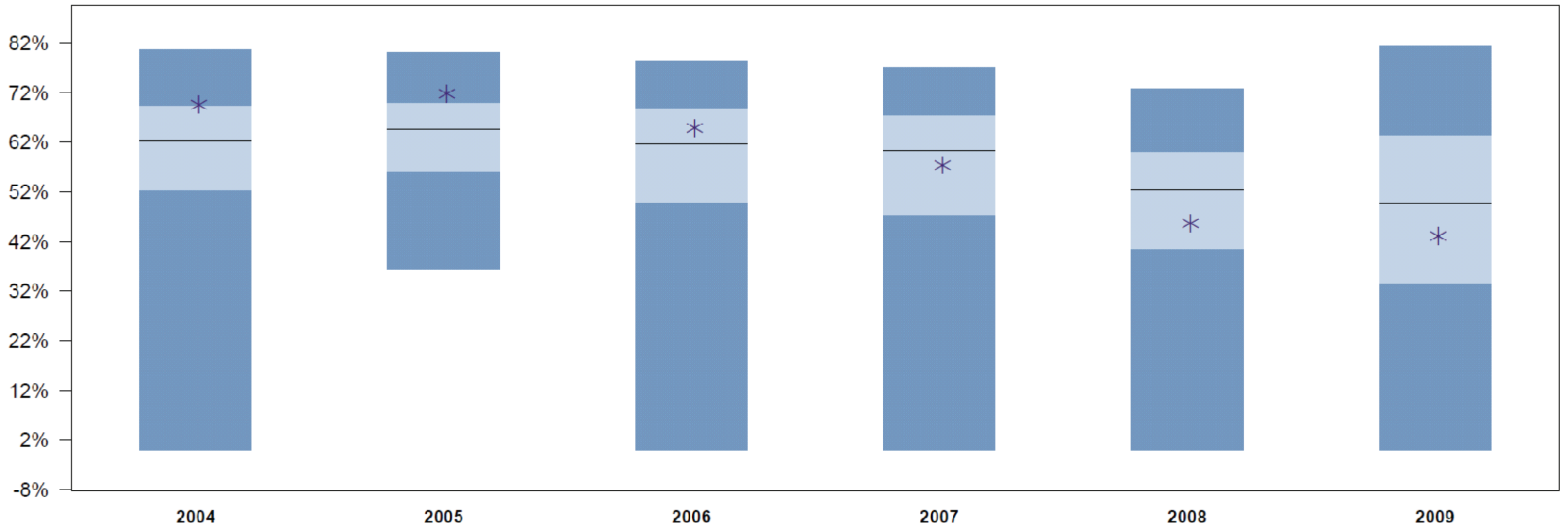
The investment performance results and the Foundation's rank within the universe are shown in the table below. Returns are shown gross of fees, consistent with how rankings are calculated in the peer group universe.

	One Year	Rank	Three Year	Rank	Five Year	Rank	Seven Year	Rank	Ten Year	Rank
Foundation	6.6%	14	2.9%	11	6.0%	16	8.0%	38	5.5%	22
Allocation Index	2.2%		1.1%		5.3%		7.9%			
Policy Index	0.9%		0.0%		4.5%		7.7%		3.5%	
Median Fund	1.8%		0.2%		4.5%		7.7%		4.7%	

[1] Rankings are on a scale of 1 to 100 with 1 being the highest. The ICC universe is the Independent Consultant Cooperative database that contains over $2 trillion in total assets and represents 20% of institutional assets in the country.

Executive Summary

The graph below shows that, the Foundation has a below median (43.5%) allocation to equities. The lower equity allocation helped the Foundation to outperform most peers over the last three years.



	2004		2005		2006		2007		2008		2009	
* Composite	70.1	24	72.3	20	65.3	39	57.8	58	46.2	65	43.5	64
5th Percentile	80.8		80.2		78.4		77.1		72.9		81.5	
25th Percentile	69.6		70.1		69.0		67.5		60.2		63.6	
50th Percentile (Median)	62.5		64.7		61.7		60.5		52.5		49.8	
75th Percentile	52.4		56.1		49.8		47.3		40.6		33.6	

Executive Summary

Market Overview

		1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity Benchmarks					
S&P 500	Large Core	-6.9%	-5.4%	1.0%	-0.1%
S&P Mid Cap 400	Mid Core	-3.1%	-1.4%	4.5%	7.5%
Russell 2000	Small Core	-9.5%	-4.6%	2.4%	4.9%
International Equity Benchmarks					
MSCI EAFE	Int'l Developed	3.2%	-3.6%	6.1%	2.5%
MSCI EME	Em. Mkt. Eqty.	19.1%	7.9%	17.3%	11.5%
MSCI ACWI ex US	International	5.9%	-1.2%	8.1%	4.0%
Domestic Fixed Income Benchmarks					
Barclays Aggregate	Core Bonds	10.6%	6.4%	5.1%	6.3%
Barclays High Yield	High Yield	22.3%	5.3%	6.1%	6.3%
Barclays 1-10 TIPS	Inflation	4.0%	5.7%	4.7%	6.9%
Alternative Benchmarks					
DJ UBS Commodity Index	Commodities	-23.7%	-5.0%	-0.8%	6.3%
NCREIF Property Index	Real Estate	-22.1%	-1.3%	6.2%	7.8%
HFRI Fund of Funds	Fund of Funds	-1.3%	0.1%	3.4%	5.2%

The year ending September 30, 2009 was very volatile and can be characterized by an extremely negative equity market performance from October 1st to March 9th, followed by a very strong rebound in equity and credit markets for the balance of the year.

The net results were single digit losses for the domestic equity indices, positive results for the international equity benchmarks (aided by a falling US dollar), and strong fixed income performance, particularly in securities that contained credit risk (eg. high yield bonds).

Executive Summary

Asset Allocation Review

Asset Class	*Policy*	*Old Allowable Range*	*New Allowable Range*
U.S. Equities	30%	20% - 40%	20% - 40%
Non-U.S. Equities	15%	10% - 30%	10% - 30%
Total Equities	45%	35% - 55%	35% - 55%
Global Asset Allocation	15%	0% - 20%	0% - 20%
Fixed Income	20%	10% - 30%	**10% - 50%**
Hedge Funds	15%	5% - 25%	5% - 25%
Real Assets	5%	0% - 15%	0% - 15%
Opportunistic Investments	0%	0% - 15%	0% - 15%
Total	100%		

The upper end of the allowable range for fixed income increased by 20 percentage points. Changes to the policy for the year were tied to the development of a liquidity portfolio that would provide the Committee the ability to hold up to five years of projected spending in conservative fixed income instruments. This was addressed above by expanding the potential range for fixed income from 10% - 30% to 10% - 50% of the portfolio.

Executive Summary

Manager	Last Year
Rhumbline	**-6.4%**
S&P 500	*-6.9%*
Over/Under Benchmark	*0.5%*
IronBridge Small Cap	**-10.0%**
Russell 2000	*-9.5%*
Over/Under Benchmark	*-0.5%*
Templeton Intl Eq	**5.7%**
MSCI ACWxUS	*5.9%*
Over/Under Benchmark	*-0.2%*
Aberdeen	**27.8%**
MSCI Emerging Markets	*19.1%*
Over/Under Benchmark	*8.7%*
PIMCO Total Return	**18.2%**
Barclays Aggregate Index	*10.6%*
Over/Under Benchmark	*7.6%*
Loomis Sayles Fixed Income	**19.5%**
Barclays Aggregate Index	*10.6%*
Over/Under Benchmark	*8.9%*
GMO Global Balanced	**6.3%**
65% MSCI World / 35% Barclays Agg	*4.6%*
Over/Under Benchmark	*1.7%*
Wellington Opportunistic	**12.5%**
65% S&P 500 / 35% Barclays Agg	*-0.3%*
Over/Under Benchmark	*12.8%*
TCW	**12.5%**
HFRI Distressed Debt	*1.1%*
Over/Under Benchmark	*11.4%*
FrontPoint Multi-Strategy Fund	**7.5%**
HFRI Fund of Funds Benchmark	*-1.3%*
Over/Under Benchmark	*8.8%*
JP Morgan Multi-Strategy Fund II	**0.8%**
HFRI Fund of Funds Benchmark	*-1.3%*
Over/Under Benchmark	*2.1%*
Blackstone Partners Fund	**5.7%**
HFRI Fund of Funds Benchmark	*-1.3%*
Over/Under Benchmark	*7.0%*
Evanston Orrington/S&P 500 Fund	**-1.2%**
HFRI Fund of Funds Benchmark	*-1.3%*
Over/Under Benchmark	*0.1%*
Gottex	**-29.5%**
Custom Gottex Benchmark	*-16.1%*
Over/Under Benchmark	*-13.4%*

Manager Review

Performance was strong for the year, as 11 of the 14 managers in the portfolio at year end outperformed their benchmarks. Within their equity managers, Rhumbline's passive large cap portfolio outperformed the S&P 500 by 0.5%. Small cap manager IronBridge, trailed their benchmark by 0.5%.Templeton International lagged the MSCI ACWI ex-US index by 0.2%. Aberdeen's emerging market equity portfolio debuted significantly ahead of their benchmark by 8.7 percentage points.

Fixed income manager, PIMCO Total Return outperformed the index by 7.6 percentage points. Loomis Sayles significantly outperformed due to their underweighting to treasuries and agencies and overweight to credit.

Among global asset allocation managers, GMO outperformed their balanced benchmark. Overweight to fixed income helped their performance. Wellington's Opportunistic (12.5%) outperformed their benchmark by 12.8 percentage points for the year. Wellington was helped by allocations which benefited from credit dislocations in the market as well as currency positions.

Opportunistic investments manager, TCW returned 12.5% versus 1.1% for the HFRI Distressed Debt index.

Hedge fund managers performed well. FrontPoint (7.5%), JPMorgan (0.8%) and Blackstone (5.7%) outperformed the HFRI Fund of Funds Index (-1.3%) for the year. Evanston and Gottex are still in the process of liquidation. Proceeds will be received over the next two years.

Note: Gottex switched from a S&P 500 Portable Alpha fund to a Market Neutral Run-Off fund in May 09'; their blended benchmark consists of S&P 500 from July 2007 (inception) through May 2009, and the HFRI Fund of Funds benchmark from June 2009 to the present.

Executive Summary

Looking Forward

The performance of the Foundation on a relative basis is very strong, with most periods being ranked in the first quartile. The focus for the upcoming year will be primarily, to continue monitoring and balancing the risk and reward profile of the Fund. There are mounting concerns about future inflation, and we will be addressing whether any changes to the portfolio should be made to enhance the Foundation’s ability to perform in an inflationary environment.

Portfolio and Market Review

Return Summary – Total Foundation

- Total assets at year end were at $222.7 million: an increase of $3.3 million from the prior year
- The table below displays performance
  - Results are ranked against the ICC Total Endowment & Foundation (E&F) Universe
  - A rank of 1 is the highest, 100 the lowest
  - Comparisons of peers is on a gross of fee basis

	One Year	Rank	Three Year	Rank	Five Year	Rank	Seven Year	Rank	Ten Year	Rank
Foundation	6.6%	14	2.9%	11	6.0%	16	8.0%	38	5.5%	22
Allocation Index	2.2%		1.1%		5.3%		7.9%			
Policy Index	0.9%		0.0%		4.5%		7.7%		3.5%	
Median Fund	1.8%		0.2%		4.5%		7.7%		4.7%	

- The Foundation returns are strong relative to peers
  - Fiscal year end results are 1st quartile
  - Longer term results have been between the 1st and 2nd quartiles
- The Allocation Index represents how the Foundation would have done if invested in index funds
  - Overall, active investment management added 4.4 percentage points to returns gross of fees (net figure is 3.7 percentage points)
- The Policy Index represents the return of the policy as stated in the investment guidelines: the allocation that comprises the policy index is:
  - 30% S&P 500 Index, 20% Barclays U.S. Aggregate Bond Index, 15% MSCI AC World ex-U.S. Index, 15% HFRI Fund of Funds Benchmark (Hedge Fund), 15% blended 60%MSCI World/40% Citi WGBI benchmark (GAA) , 5% NCREIF Property Index
  - Policy updated April 2009

Return Summary – Investment Managers

- The table below details the performance of the Foundation and its individual managers for various periods ending September 30th, 2009
  - Managers are ranked in the ICC Universe against others with similar styles

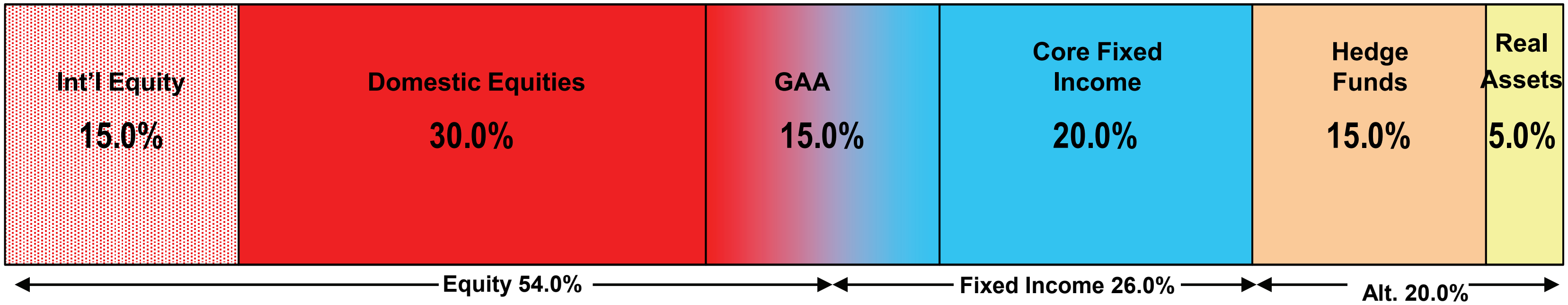
	Last Year	Rank	Three Years	Rank	Five Years	Rank
Total Domestic Equity (Nov 03)	-7.0%		-4.9%		1.2%	
Rhumbline (July 03)	-6.4%	39	-5.3%	49	1.0%	67
S&P 500	-6.9%		-5.4%		1.0%	
IronBridge Small Cap (Nov 03)	-10.0%	80	-0.6%	15	4.0%	44
Russell 2000	-9.5%		-4.6%		2.4%	
Total International Equity (July 03)	10.7%		-0.1%		7.9%	
Templeton Intl Eq (Oct 04)	5.7%	37	-1.6%	43	n/a	
MSCI ACWxUS	5.9%		-1.2%		8.1%	
Aberdeen (Sep 08)	27.8%	9	n/a		n/a	
MSCI Emerging Markets	19.1%		7.9%		17.3%	
Total Domestic Fixed Income (Oct 02)	18.6%		8.5%		6.5%	
PIMCO Total Return (Oct 02)	18.2%	41	9.1%	30	6.8%	36
Loomis Sayles Fixed Income (Feb 06)	19.5%	27	6.4%	29	n/a	
Barclays Aggregate Index	10.6%		6.4%		5.1%	
Total Global Asset Allocation (Mar 07)	7.7%		n/a		n/a	
GMO Global Balanced (Mar 07)	6.3%	50	n/a		n/a	
65% MSCI World / 35% Barclays Agg	4.6%		0.6%		5.1%	
Wellington Opportunistic (Mar 07)	12.5%	3	n/a		n/a	
65% S&P 500 / 35% Barclays Agg	-0.3%		-1.0%		2.7%	
Opportunistic investments						
TCW (OCT 08)	12.5%	9	n/a		n/a	
HFRI Distressed Debt	1.1%		0.0%		5.1%	
Total Hedge Fund (Feb 06)	5.3%		3.0%		n/a	
FrontPoint Multi-Strategy Fund (Feb 06)	7.5%	26	7.7%		n/a	
JP Morgan Multi-Strategy Fund II (Jan 08)	0.8%	56	n/a		n/a	
Blackstone Partners Fund (May 08)	5.7%	31	n/a		n/a	
Evanston Orrington/S&P 500 Fund (July 07)	-1.2%	68	n/a		n/a	
HFRI Fund of Funds Benchmark	-1.3%		0.1%		3.4%	
Gottex Composite (Jul 07)	-29.5%	98	n/a		n/a	
Custom Gottex Benchmark	-16.1%		n/a		n/a	

Note: Returns are net of manager fees. Ranks are gross of fees.

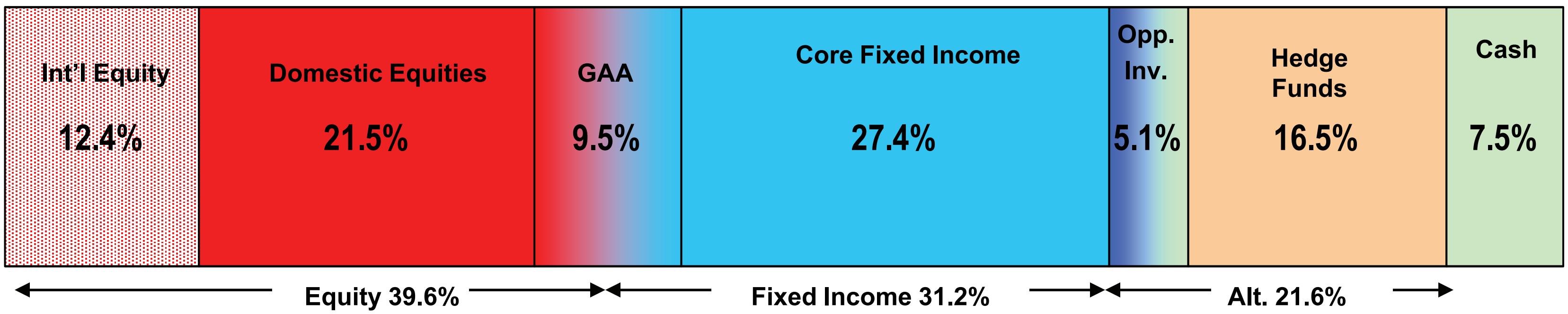
- The Foundation's Domestic Equity Composite returned -7.0% versus -6.9% for the S&P 500 Index, for the year
  - IronBridge returned -10.0% trailing the index by 0.5%
- International Composite outperformed its benchmark, returning 10.7% versus 5.9% for the index for the year
  - Performance was driven by emerging markets manager Aberdeen who returned 27.8% versus 19.1% for its benchmark
- Fixed Income Composite returned 18.6%, outperforming the BC Aggregate's return of 10.6%
  - PIMCO and Loomis Sayles significantly outperformed their respective benchmarks
- Hedge Fund Managers were strong overall
  - FrontPoint and Blackstone outperformed the HFRI index and ranked in the top third of the hedge funds universe
  - JPMorgan Multi-Strategy Fund II beat the index while lagging the median
- Opportunistic Investments manager TCW beat its benchmark by 11.4 percentage points
- Global Asset Allocation Managers performed well
  - Wellington, the strongest performer in this asset class, outperformed its benchmark by 12.8 percentage points
  - GMO beat its benchmark and ranked at the median for balanced fund manager

Asset Allocation (as of 09/30/09)

Target Allocation (effective April 2009)



Actual Asset Allocation

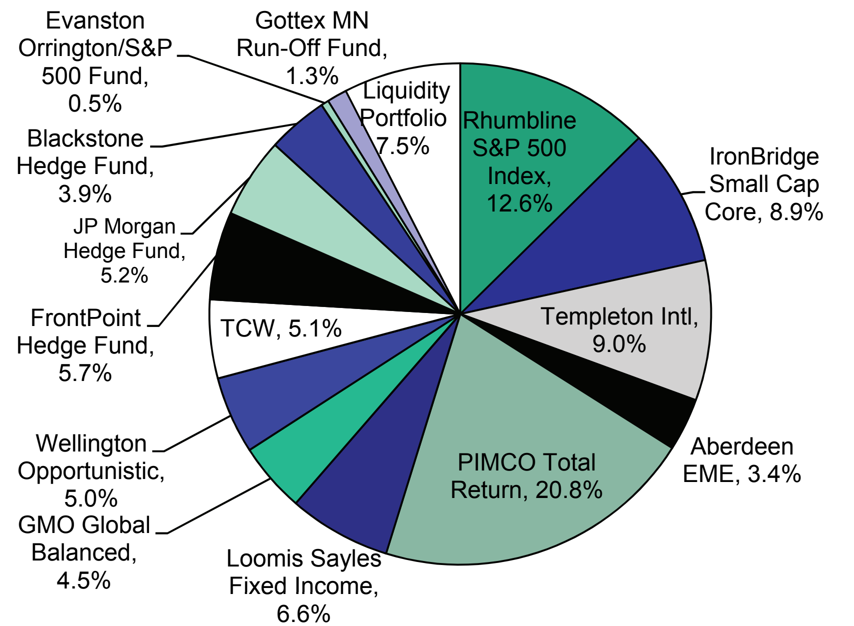


- Real Assets is currently unfunded; the Real Assets target allocation is 5% with allowable ranges of 0% to 15%
- Opportunistic Investments has a target of 0% with allowable ranges of 0% to 15%

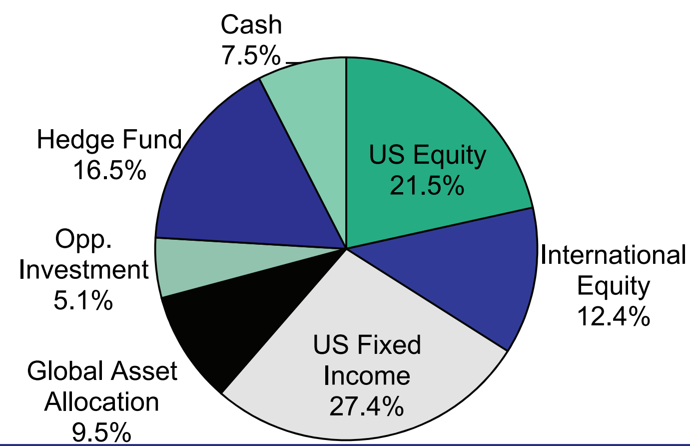
Asset Allocation – Investment Mangers Employed At Year End

Weight in Fund		Ending Market Value
100.0%	Composite	$222,673,700
21.5%	US Equity	$47,972,992
12.6%	Rhumbline	$28,087,676
8.9%	IronBridge Small Cap	$19,885,316
12.4%	International Equity	$27,680,044
9.0%	Templeton Intl Eq	$20,118,464
3.4%	Aberdeen EME	$7,561,580
27.4%	US Fixed Income	$61,037,496
20.8%	PIMCO Total Return	$46,328,384
6.6%	Loomis Sayles Fixed Income	$14,709,112
9.5%	Global Asset Allocation	$21,089,489
4.5%	GMO Global Balanced	$9,998,152
5.0%	Wellington Opportunistic	$11,091,337
5.1%	Opportunistic investments	$11,293,495
5.1%	TCW Special Mortgage Credits II	$11,293,495
16.5%	Hedge Fund	$36,809,878
5.7%	FrontPoint Multi-Strategy Fund	$12,609,754
5.2%	JP Morgan Multi-Strategy Fund II	$11,542,635
3.9%	Blackstone Partners Fund	$8,686,160
0.5%	Evanston Orrington/S&P 500 Fund	$1,109,176
1.3%	Gottex	$2,862,153
0.0%	Total Real Assets	
7.5%	Total Cash	$16,790,306
7.5%	Liquidity Portfolio	$16,790,306

ASSET ALLOCATION BY MANAGER



ASSET ALLOCATION BY ASSET CLASS



Asset Allocation Changes to Portfolio

- Portable alpha managers were terminated. Funds are in the processing of liquidation
  - Wayne State University Foundation transferred from Gottex's S&P 500 Portable Alpha fund into the Market Neutral Run-Off fund in May 2009
  - Evanston's Orrington fund is winding down
- The Committee agreed to create a Liquidity Portfolio in September 2009
  - This portfolio will be implemented within the following year

Appendix

U.S. Equity Composite

PERFORMANCE ENDING 9/30 (NET)	U.S. EQUITY	S&P 500	OVER/UNDER BENCHMARK
2009	-7.0%	-6.9%	-0.1%
2008	-21.2%	-22.0%	0.8%
2007	17.6%	16.4%	1.1%
2006	8.5%	10.8%	-2.3%
2005	13.5%	12.3%	1.3%
2004	12.6%	13.9%	-1.3%
2003	21.5%	24.4%	-2.9%
2002	-12.5%	-20.5%	8.0%
2001	-15.7%	-26.6%	11.0%
2000	15.9%	13.3%	2.6%
1999	18.2%	27.8%	-9.6%
1998	-5.8%	9.0%	-14.9%

Current U.S. Equity Managers

- Rhumbline S&P 500 Index
- IronBridge Small Cap Equities

Performance Commentary

- Returns were just below the benchmark last year
- Over the last two and three years, returns have been modestly better than the benchmark
- Small cap allocation continues to add value over the longer term
- Portable alpha managers, Gottex and Evanston, were removed from the U.S. Equity composite to the hedge fund composite as their strategies are winding down and no longer have exposure to the equity market

Rhumbline S&P 500 Index Fund

Role in Portfolio

- Replicate the returns of the S&P 500 Index, providing the Foundation a low cost passive exposure to large cap domestic equities

Performance Commentary

- Similar to index as expected

PERFORMANCE ENDING 9/30 (NET)	RHUMBLINE	S&P 500	OVER/UNDER BENCHMARK
2009	-6.4%	-6.9%	0.5%
2008	-21.8%	-22.0%	0.2%
2007	16.1%	16.4%	-0.4%
2006	10.8%	10.8%	0.0%
2005	11.7%	12.3%	-0.5%
2004	13.5%	13.9%	-0.4%

IronBridge Small Cap Equities

Role in Portfolio

- Exposure to U.S. Small Cap Equities

PERFORMANCE ENDING 9/30 (NET)	IRONBRIDGE	RUSSELL 2000	OVER/UNDER BENCHMARK
2009	-10.0%	-9.5%	-0.5%
2008	-12.6%	-14.5%	1.9%
2007	24.9%	12.4%	12.6%
2006	4.4%	9.9%	-5.6%
2005	18.5%	18.0%	0.6%

Performance Commentary

- Performance trailed the index for the year
- Since hired, the results exceeded expectations, outperforming the index by 1.5%, net of fees
- We remain comfortable with IronBridge based on their long-term track record and stability of team and process

International Equity Composite

Current International Equity Managers

- Templeton International Equity
- Aberdeen Emerging Markets Equity

PERFORMANCE ENDING 9/30 (NET)	INTERNATIONAL	MSCI ACWXUS NET	OVER/UNDER BENCHMARK
2009	10.7%	5.9%	4.8%
2008	-28.2%	-30.3%	2.1%
2007	25.3%	30.5%	-5.2%
2006	20.2%	18.9%	1.3%
2005	23.1%	28.9%	-5.8%
2004	17.9%	22.7%	-4.8%

Performance Commentary

- Returns were above the benchmark for the past two years
- Historically, performance had struggled until recent periods
- Emerging equity allocation has added value

Templeton International Equities

PERFORMANCE ENDING 9/30 (NET)	TEMPLETON	MSCI ACWXUS NET	OVER/UNDER BENCHMARK
2009	5.7%	5.9%	-0.2%
2008	-28.1%	-30.3%	2.2%
2007	25.3%	30.5%	-5.2%
2006	19.4%	18.9%	0.5%

Role in Portfolio

- Exposure to International Equity Developed Markets

Performance Commentary

- Performance lagged over the last year
- Since hired, performance is below expectations versus the benchmark

Aberdeen Emerging International Equities

<u>Role in Portfolio</u>

- Exposure to International Equity Emerging Markets

PERFORMANCE ENDING 9/30 (NET)	Aberdeen	MSCI Emerging Markets	OVER/UNDER BENCHMARK
2009	27.8%	19.1%	8.7%

<u>Performance Commentary</u>

- Strong performance over the last year
- Hired in August 2008 to provide additional diversification in the international equity space

Fixed Income Composite

Current Fixed Income Managers

- PIMCO Total Return Bond Fund
- Loomis Sayles Fixed Income Fund

PERFORMANCE ENDING 9/30 (NET)	FIXED INCOME	BC AGGREGATE	OVER/UNDER BENCHMARK
2009	18.6%	10.6%	8.0%
2008	0.5%	3.7%	-3.2%
2007	7.3%	5.1%	2.1%
2006	3.8%	3.7%	0.1%
2005	3.4%	2.8%	0.6%
2004	4.4%	3.7%	0.7%
2003	6.4%	5.4%	1.0%
2002	7.5%	8.6%	-1.1%
2001	12.6%	13.0%	-0.4%
2000	6.6%	7.0%	-0.4%
1999	1.0%	-0.4%	1.4%
1998	10.2%	11.5%	-1.3%
1997	9.8%	9.7%	0.0%

Performance Commentary

- The overall fixed income portfolio has rebounded, outperforming the index by 8.0% in the year
- Since inception, the portfolio exceeds the BC Aggregate by 1.3%, net of fees

PIMCO Total Return Bond Fund

Role in Portfolio

- Broad Exposure to U.S. fixed income securities

PERFORMANCE ENDING 9/30 (NET)	PIMCO TOTAL RETURN	BC AGGREGATE	OVER/UNDER BENCHMARK
2009	18.2%	10.6%	7.6%
2008	3.6%	3.7%	-0.1%
2007	5.9%	5.1%	0.8%
2006	3.5%	3.7%	-0.1%
2005	3.6%	2.8%	0.8%
2004	4.6%	3.7%	0.9%
2003	9.3%	5.4%	3.9%

Performance Commentary

- PIMCO has added value over time. Performance in 2009 was strong versus its benchmark
- Similar risk to the Barclays Capital Aggregate Bond Index

Loomis Sayles Fixed Income Fund

PERFORMANCE ENDING 9/30 (NET)	LOOMIS SAYLES	LB AGGREGATE	OVER/UNDER BENCHMARK
2009	19.5%	10.6%	8.9%
2008	-9.4%	3.7%	-13.1%
2007	11.3%	5.1%	6.2%

Role in Portfolio

- Opportunistic exposure to U.S., high yield & International fixed income securities.
- Manager has a high amount of discretion and seeks to deliver high total returns

Performance Commentary

- Performance has rebounded significantly; since inception returns are ahead of the index
- The firm has good long term results and is a high conviction manager that NEPC views as a good complement to the PIMCO Total Return fund held in the Foundation portfolio

Global Asset Allocation (GAA) Composite

Current GAA Managers

- GMO Global Balanced Fund
- Wellington Opportunistic Investments Allocation Fund

PERFORMANCE ENDING 9/30 (NET)	GAA	65% MSCI World / 35% BC Aggregate	OVER/UNDER BENCHMARK
2009	7.7%	4.6%	3.1%
2008	-18.3%	-17.0%	-1.3%

Performance Commentary

- For the year, the GAA composite outperformed the benchmark by 3.1%
- In 2008, performance was hurt by the Mellon Global Alpha I product, which was subsequently redeemed in January 2009

GMO Global Balanced Fund

PERFORMANCE ENDING 9/30 (NET)	GMO	65% MSCI World / 35% BC Aggregate	OVER/UNDER BENCHMARK
2009	6.3%	4.6%	1.7%
2008	-11.4%	-17.0%	5.6%

Role in Portfolio

- Opportunistic exposure to U.S. & International equity and fixed income securities.
- Manager uses top-down and bottom-up valuation methodologies to value asset classes, countries, and individual securities in order to allocate assets to undervalued countries, currencies, and securities around the world.

Performance Commentary

- Continued strong performance versus the benchmark. GMO returned 1.7% above the index, net of fees
- Over the last year, the Fund's overweights to various fixed income strategies helped performance.

Wellington Opportunistic Fund

Role in Portfolio

PERFORMANCE ENDING 9/30 (NET)	Wellington	65% S&P 500 / 35% BC AGGREGATE	OVER/UNDER BENCHMARK
2009	12.5%	-0.3%	12.8%
2008	-16.2%	-13.5%	-2.7%

- Diversified portfolio of global equities and fixed income.
- Manager seeks to: (1) make timely investments in niche asset classes that are attractively valued, (2) benefit from the anticipated cyclical environment, and (3) have positive contributions from allocation decisions by combining qualitative and quantitative disciplines

Performance Commentary

- Performance rebounded strongly outperforming its benchmark by 12.8% for the year
- Since inception, performance is well ahead of its index

TCW Special Mortgage Credits II

PERFORMANCE ENDING 9/30 (NET)	TCW	HFRI Distressed Debt	OVER/UNDER BENCHMARK
2009	12.5%	1.1%	11.4%

Role in Portfolio

- Opportunistic strategy which invests in various assets impacted by the downturn in the US residential real estate market
- The Fund will seek to capitalize on pricing inefficiencies
- Benchmarked against the HFRI Distressed Debt index

Performance Commentary

- TCW returned 12.5% outperforming the HFRI Distressed Debt index by 11.4% for the year

Hedge Fund Composite

PERFORMANCE ENDING 9/30 (NET)	Hedge Funds	HFRI FUND OF FUNDS INDEX	OVER/UNDER BENCHMARK
2009	5.3%	-1.3%	6.6%
2008	-5.6%	-10.1%	4.5%
2007	22.6%	14.0%	8.6%

Current Hedge Fund Managers

- FrontPoint Multi-Strategy
- JPMorgan Multi-Strategy Fund II
- Blackstone Partners Fund

Performance Commentary

- Strong relative performance for the all time periods versus the HFRI Fund of Funds index
  - Gottex and Evanston were reclassified to this composite for performance reporting purposes. Both funds are in the process of winding down

FrontPoint Multi-Strategy Hedge Fund

PERFORMANCE ENDING 9/30 (NET)	FRONTPOINT	HFRI FUND OF FUNDS INDEX	OVER/UNDER BENCHMARK
2009	7.5%	-1.3%	8.8%
2008	-5.2%	-10.1%	4.9%
2007	22.6%	14.0%	8.6%

Role in Portfolio

- Absolute Return Strategy designed to produce consistent returns, with low correlation to equity and fixed income markets
- Target fixed income like risk
- Benchmarked against the HFRI Fund of Funds Index which is comprised of other Hedge Funds similar to FrontPoint

Performance Commentary

- Strong absolute and relative performance for the year versus the benchmark's -1.3% return
- NEPC is comfortable with the firm. FrontPoint performed reasonably well during the recent turmoil in the financial markets

JPMorgan Multi-Strategy Fund II

PERFORMANCE ENDING 9/30 (NET)	JPMorgan	HFRI FUND OF FUNDS INDEX	OVER/UNDER BENCHMARK
2009	0.8%	-1.3%	2.1%

Role in Portfolio

- Multi-strategy hedge fund
- Target fixed income like risk
- Benchmarked against the HFRI Fund of Funds

Performance Commentary

- Strong performance for the year. JPMorgan returned 0.8% versus -1.3% for the index

Blackstone Partners Fund

PERFORMANCE ENDING 9/30 (NET)	Blackstone	HFRI FUND OF FUNDS INDEX	OVER/UNDER BENCHMARK
2009	5.7%	-1.3%	7.0%

Role in Portfolio

- Portfolio is invested across 10 different types of strategies
- Asset allocation will move over time based on Blackstone's top down views
- Benchmarked against the HFRI Fund of Funds Index

Performance Commentary

- Blackstone returned 5.7% outperforming the benchmark by 7.0%

Evanston Orrington/S&P 500 Fund

Role in Portfolio

- WSU FDN is liquidating its investment in the Fund

PERFORMANCE ENDING 9/30 (NET)	EVANSTON	Benchmark*	OVER/UNDER BENCHMARK
2009	-1.2%	-1.3%	0.1%
2008	-28.3%	-22.0%	-6.3%

*Benchmark for 2008 is the S&P 500. The benchmark for 2009 is the HFRI Fund of Funds Index

Performance Commentary

- Evanston's strategy is in the process of being liquidated
- Approximate market value is $1.1 million

Gottex Market Neutral Run-Off Fund

Role in Portfolio

- WSU FDN elected to redeem its investment

PERFORMANCE ENDING 9/30 (NET)	GOTTEX	Benchmark*	OVER/UNDER BENCHMARK
2009	-29.5%	-16.1%	-13.4%
2008	-30.5%	-22.0%	-8.5%

*Benchmark for 2008 is the S&P 500. The benchmark for 2009 is the HFRI Fund of Funds index

Performance Commentary

- Subsequent to being placed on a Watch list, Gottex was terminated due to poor performance
- The portfolio was moved to a “run-off” share class to expedite its liquidation. The first installment of the investment proceeds was received in August 2009. Subsequent proceeds will be distributed approximately quarterly and the final proceeds over time (1 to 2 years) as the balance achieves liquidity
- Approximate market value is $2.9 million

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